



Audited Consolidated Financial Statements
31 March 2017

Sevenside Housing,
Brassey Road, Old Potts Way, Shrewsbury SY3 7FA

Registration No. 04025816

A member of The Housing Plus Group Limited

CONTENTS:

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS	3
STRATEGIC REPORT	4
STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES	5
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERNSIDE HOUSING LIMITED.....	7
STATEMENT OF COMPREHENSIVE INCOME	9
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF FINANCIAL POSITION	11
STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS

Registered Office	Sevenside Housing, Brassey Road, Old Potts Way, Shrewsbury, Shropshire SY3 7FA
Sevenside Housing	Registered by the Homes and Community Agency No: LH4325
Internal Auditors	Service Matters, Garden Court, Harry Weston Road, Binley, Coventry, CV3 2SU
External Independent Auditors	BDO LLP, Chartered Accountants and Statutory Auditors, Two Snowhill, Birmingham, B4 6GA
Legal Advisors	Anthony Collins, 134 Edmund Street, Birmingham, B3 2ES Trowers & Hamlins LLP 55 Princess Street Manchester, M2 4EW
Funders	Nationwide Building Society, Kings Park Road, Moulton Park, Northampton, NN3 6NW Canada Life Investments, 1-6 Lombard Street, London, EC3V 9JU Shropshire Council, The Shirehall, Abbey Foregate Shrewsbury, SY2 6ND
Bankers	National Westminster Bank PLC, 8 Mardol Head, Shrewsbury, SY1 1HE
Board of Management	Mr Paul Smith (Chair) Mr Malcolm Price Mr Rory O'Byrne Ms Alyson Lanning Mr Peter Bell - Appointed October 2016 Mr Tony Pate – Appointed October 2016 Mr Philip Ingle – Appointed October 2016
Chief Executive	Mrs Sarah Boden
Executive Directors	
Finance Director and Deputy Chief Executive	Mr Philip Ingle
Property Director	Mr Stephen Collins
Neighbourhoods Director	Mrs Jan Goode
Care and Support Director	Mr Les Clarke
Commercial Director	Mr Peter Donovan
Interim People & Transformation Director	Mr Doug Fuller

STRATEGIC REPORT

Severnside Housing is a company limited by guarantee which was established to receive a transfer of social housing properties from Shrewsbury and Atcham Borough Council in October 2001. Its principal activities are the management and development of affordable housing.

Severnside Housing merged with Housing Plus on the 1st October 2016. Housing Plus, (the Group) Severnside's ultimate controlling party, is a non-housing asset holding company which provides the central services for Severnside and the other subsidiaries in the Group such as finance, human resources, information technology, development, legal and governance, health and safety and corporate publicity.

Housing Plus has prepared a Group Strategic Report to accompany the consolidated financial statements. In line with the Statement of Recommended Practice for registered social housing providers 2014 Severnside has taken a decision to use the exemption not to provide a full strategic report within its own financial statements. The Statement of Compliance with regulatory policies is available in the Group Strategic Report.

Board Members and Executive Officers

Severnside Housing is governed by a Board of Management composed of six non-executive members and one executive member. Severnside is managed by a senior management team headed by the Chief Executive and supported by a Finance Director, Property Director, Neighbourhoods Director, Commercial Director, the Care and Support Director and the Interim People and Transformation Director. The Executive Management Team attends Board meetings.

The Group has purchased Directors' and Officers' Liability Insurance for the Board Members, Executive Officers and staff of the Group and Severnside Housing. Members of the Board receive remuneration. The remuneration of the Board, the Chief Executive and the other Executive Officers is determined by the Housing Plus Board. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar companies and the market place.

Full details of the remuneration of each Board and Executive Team Member are provided in note 10 of the financial statements.

Governance

Severnside Housing complies with the Homes and Communities Agency's (HCA) Governance and Financial Viability Standard. In April 2015 the Housing Plus Group adopted the National Housing Federation (NHF) Excellence in Governance Code as its approved Code of Governance. Severnside Housing complies with this Code.

Statement of Compliance

The Board confirms that the Group Strategic Report has been prepared in accordance with the principles set out in the Statement of Recommended Practice for registered social housing providers 2014.

The Board confirms that Severnside Housing has complied with all relevant regulatory and legal requirements. The Board evidences this for the Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Group Statement of Internal Controls).

The Board also reviews the effectiveness of the control framework and the assurance received from it including receiving external reviews from the Internal Auditor.

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Board is responsible for preparing the Board's Report and Financial Statements in accordance with applicable law and regulations.

The Companies Act 2006 requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with FRS102 (United Kingdom Accounting Standards and applicable laws). Under company law the Board must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period.

In preparing these Financial Statements, the Board is required to:

Select suitable accounting policies and then apply them consistently.

Make judgments and accounting estimates that are reasonable and prudent.

State whether applicable UK Accounting Standards and the Statement of Recommended Practice: For Registered Social Housing Providers 2014 (SORP), have been followed, subject to any material departures disclosed and explained in the Financial Statements.

Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the Financial Statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's and Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as each of the Board members are aware:

There is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware.

The Board members have taken all the steps that they ought to have taken to make themselves aware of any relevant information and to establish that the Association's auditors are aware of that information.

Provision of information to Auditors

The Association Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; the directors have taken all the steps that they

ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that Association auditors are aware of that information.

Independent Auditors

A resolution to appoint External Auditors will be proposed at the next Annual General Meeting.

By Order of the Board


Dated 27 July 2017



Paul Smith
Chair



Philip Ingle
Director



Irene Molyneux
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERNSIDE HOUSING LIMITED

We have audited the financial statements of Severnside Housing for the year ended 31 March 2017 which comprise the association statement of comprehensive income, the association statement of financial position, the association statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2017 and of the association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the report of the Board for the financial year for which the financial statements are prepared is consistent with the

financial statements and the strategic report and report of the Board have been prepared in accordance with applicable legal requirements.

Based on our knowledge and understanding of the association and its environment obtained during the course of the audit we have identified no material misstatements in the strategic report or the report of the Board.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept by the association, or returns adequate for our audit have not been received from branches not visited by us; or

the association financial statements are not in agreement with the accounting records and returns; or

certain disclosures of board member and or directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

BDO LLP

Kyla Bellingall (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom
Date 4 August 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 March 2017	Year Ended 31 March 2016
		£'000	£'000
Turnover	3	29,997	30,957
Cost of Sales	3	(1,712)	(2,487)
Operating Expenditure	3	(17,534)	(18,842)
Operating Surplus		10,751	9,628
Surplus on Disposal of Housing Properties	4	929	389
Deficit on Disposal of Other Tangible Fixed Assets		-	(8)
Interest Receivable	5	39	12
Interest Payable and Financing Costs	6	(7,019)	(6,804)
Movement in Fair Value of Investment Properties	12c	(832)	28
Surplus/(Deficit) Before Taxation	7	3,868	3,245
Taxation	8	-	-
Surplus/(Deficit) for the Year		3,868	3,245
Actuarial Gain/(Loss) in respect of Pension Schemes	19	(2,202)	1,403
Total Comprehensive Income for the Year		1,666	4,648

The accompanying notes form part of these financial statements.

All the Association turnover and surplus disclosed above are derived from continuing activities. The above surplus is based on historic costs.

STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March 2017		
	Income and Expenditure Reserve*	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2016	3,716	-	3,716
Prior Year Adjustment (Note 27)	(231)	1,341	1,110
Total surplus from Statement of Comprehensive Income	2,939	929	3,868
Actuarial Gains/(Losses) on Defined Benefit Pension Scheme	(2,202)	-	(2,202)
Other Comprehensive Income for the year	(2,202)	-	(2,202)
Capital Spend in Year	-	(495)	(495)
Balance at 31 March 2017	4,222	1,775	5,997

* Note – includes 'Pension Reserve' per the prior year financial statements.

	Year ended 31 March 2016		
	Income and Expenditure Reserve*	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2015	(723)	-	(723)
Prior Year adjustment (Note 27)	(289)	1,244	955
Total surplus from Statement of Comprehensive Income	3,094	151	3,245
Actuarial Gains/(Losses) on Defined Benefit Pension Scheme	1,403	-	1,403
Other Comprehensive Income for the year	1,403	-	1,403
Capital Spend in Year	-	(54)	(54)
Balance at 31 March 2016	3,485	1,341	4,826

STATEMENT OF FINANCIAL POSITION

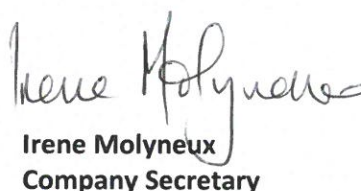
	Note	Year Ended 31 March 2017	Year Ended 31 March 2016
		£'000	£'000
Long Term Assets			
Intangible Assets and Goodwill	11	-	-
Tangible Fixed Assets	12		
Housing Properties		148,094	132,765
Other Tangible Fixed Assets		2,984	2,981
Investment Properties		12,953	13,472
		164,031	149,218
Current Assets			
Stocks	12d	1,447	1,755
Trade and Other Debtors	13	1,044	917
Investments		200	200
Cash and Cash Equivalents		3,974	7,215
Less: Creditors: Amounts Falling due within one year	14	(4,488)	(5,113)
Net Current Assets/(Liabilities)		2,177	4,974
Total Assets Less Current Liabilities		166,208	154,192
Creditors: Amounts falling due after more than one year	15	(147,144)	(138,787)
Pension Provision	20	(13,067)	(10,579)
Total Net Assets		5,997	4,826
Reserves			
Income and Expenditure Reserve		4,222	3,485
Restricted Reserve		1,775	1,341
Total Reserves		5,997	4,826

The financial statements on pages 9 to 46 were approved by the Board and authorised for issue and are signed on its behalf by:

Paul Smith
Chair




Philip Ingle
Director
27 July 2017



Irene Molyneux
Company Secretary

STATEMENT OF CASH FLOWS

	Note	Year Ended 31 March 2017		Year Ended 31 March 2016	
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	21		14,569		15,621
Cash flow from investing activities					
Purchase of tangible fixed assets		(21,288)		(16,270)	
Proceeds from sale of tangible fixed assets		1,240		1,526	
Grants received		1,201		1,399	
Interest received		39		12	
			(18,808)		(13,333)
Cash flow from financing activities					
Interest paid		(6,551)		(6,435)	
Loan drawdown/new loans		7,719		7,000	
Repayments of borrowings		(170)		(53)	
Withdrawal/(Transfer) from/to deposits		-		-	
			998		512
Net change in cash and cash equivalents		(3,241)		2,800	
Cash and cash equivalents at beginning of the year		7,215		4,415	
Cash and cash equivalents at the end of the year	23		3,974		7,215

NOTES TO THE FINANCIAL STATEMENTS

1. Legal Status

Sevenside Housing is an exempt charity, registered as a company limited by guarantee and it is registered also with the Homes and Communities Agency (HCA - LH4325), the Regulator of Social Housing, under the Housing Association Act 1985, as a social landlord. Sevenside Housing is a public benefit entity as described by FRS102.

2. Accounting Policies

a. Basis of Accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (FRS102), and the Statement of Recommended Practice for registered social housing providers update 2014. The financial statements comply with the Housing Act 1996 and the Accounting Direction for Registered Providers of Social Housing 2015.

The financial statements have been prepared under the historic cost convention except for investment properties which are stated at their fair value.

The Directors have prepared trading and cash flow forecasts for the Group and based on this, appropriate sensitivities, current trading and available facilities have a reasonable expectation that the Group has adequate resources to continue trading for at least one year from the date of signing these financial statements. The Group has therefore prepared its financial statements with Group and subsidiaries continuing as going concern.

b. Basis of Consolidation

The Group financial statements consolidate the financial statements of Housing Plus Parent entity, and its wholly owned subsidiaries i.e. South Staffordshire Housing Association (SSHA), Sevenside Housing, Severn Homes, Care Plus Staffordshire Limited, SSHA Developments Limited, A Walters Electrical Limited and Property Plus (Midlands) Limited at 31 March 2017.

A summary of the key accounting policies, which have been applied consistently across all entities, is set out below with intercompany transactions and balances being eliminated in full.

c. Turnover

Turnover represents rental and service charge income receivable net of voids, sales of first tranche shared ownership properties, grant amortisation and care services income for the year. Turnover (representing those items listed above) in the financial statements notes are analysed to identify General Needs, Supported Housing, Care Housing and Shared Ownership properties.

Sevenside recognises the revenue as per section 23 of FRS102 'Revenue'.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from Low Cost Home Ownership sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Service charges, Supporting People Income and care services are recognised when the service has been performed and expenditure incurred.

d. Value Added Tax (VAT)

Sevenside's main income stream, being rent, is exempt for value added tax (VAT) purposes. The majority of expenditure is subject to VAT, which the Group and subsidiaries are unable to reclaim – this expenditure is therefore shown inclusive of VAT.

VAT can be reclaimed under the partial exemption method for certain other activities.

The balance of VAT payable to or recoverable at the year end is included in the financial statements as a current liability or asset

e. Interest and Financial Costs

Interest and financial costs represents the cost of financing the purchase of those properties transferred and property acquisitions as well as new development. Loans are secured on the majority of SSHA and Sevenside housing assets.

Interest and financial costs are charged to the Statement of Comprehensive Income in the year in which it is incurred.

f. Pensions

Sevenside participates in one funded multi-employer defined benefit scheme and one defined contribution scheme - the Sevenside Housing Defined Contribution Scheme (provided by Scottish Widows) and the Shropshire County Council Local Government Pension Scheme (Shropshire LGPS). The assets of the funds are kept separately from those of the Group being invested in independently managed superannuation funds.

g. Holiday Pay Accrual

A current liability is recognised for any unused holiday pay entitlement which has accrued at the Statement of Financial Position date. This is measured at the undiscounted salary cost of the future holiday entitlement at the Statement of Financial position date.

h. Housing Properties

Housing properties are principally properties available for rent. Completed housing properties for lettings are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes costs of acquiring land and buildings, development costs incurred during the development period and other directly attributable costs. Housing properties under construction are stated at cost less accumulated impairment losses.

Completed housing for lettings and low cost shared ownership properties are also stated in notes of financial statements at the Existing Use Value for Social Housing (EUV-SH) for comparison each year. Full revaluations of the properties are undertaken every three years and interim valuations are carried out where there are indications of a significant change in value.

Completed housing properties are split between their land and structure costs. Freehold land is not depreciated. Housing properties are depreciated on a straight line basis over the

useful economic life of the assets. The depreciable amount is arrived at on the basis of original cost.

Sevenside's housing assets are depreciated as follows:

- Depreciation is charged from the date of acquisition or practical completion of works.
- Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.
- Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

• Structure	50-120 years
• Roof	60 years
• Kitchens	20 years
• Bathrooms	30 years
• Heating System/Boilers	15 years
• Wiring System	30 years
• Lifts	30 years
• UPVC External Doors	30 years
• UPVC Windows	30 years
• Porches	30 years
• Solar Panels	30 years

i. Capitalisation

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements.

Major improvements and renovation of tangible fixed assets which extend the life of the asset, increase the rent or considerably reduce the future routine maintenance are capitalised and depreciated over the useful economic life of the asset.

Staff and other costs that are directly attributable to bringing housing properties to practical completion are capitalised. Development costs not capitalised are shown as other activities in the financial statement for the year.

Interest costs relating to new development are capitalised. The interest charged reflects the net interest paid over the period of the developments.

j. Accounting for Grants

Sevenside receives Social Housing Grant and grants from Local Authorities. Any grants provided to reduce the capital cost of housing properties held at cost or specific components of housing properties, are recognised by Sevenside using the accrual model. It means that grants are released to the Statement of Comprehensive Income, on a systematic basis over the expected useful life of the housing property structure or if a Disabled Facilities Grant over the expected useful life of the bathroom.

If an asset (housing property or its component) is disposed of, for which grant was received, and there is no obligation to repay the grant, any grant remaining within liabilities on the Statement of Financial Position is released to the Statement of Comprehensive Income. If the grant is available to be recycled it is credited to a Recycled Capital Grant Fund and included as a liability in the Statement of Financial Position.

Any grants received in respect of revenue expenditure are recognised in the Statement of Comprehensive Income as they become receivable.

Donations of land or other tangible assets acquired below market value from a government source are treated as a non-monetary grant. The difference between the fair value of the tangible asset donated or acquired and the consideration paid is recognised as a liability in the Statement of Financial Position. Once the terms of the donation have been met it is released to the income, to the Statement of Comprehensive Income.

k. Sale of Housing Property

Under shared ownership arrangements, Severnside sells a long term leasehold interest of Shared Ownership housing units to persons who occupy them at a lease premium equal to between 25% and 100% of open Market Value. Proceeds of sale of first tranches are accounted for as turnover in the Statement of Comprehensive Income. The total property cost is apportioned between the shared ownership element and the element remaining in SSHA's ownership based on the percentage tranche sold or estimated to be sold. The estimated first tranche value of properties that are developed for sale and are either unsold or work in progress are included in current assets. Subsequent tranches ('Staircasing') are accounted for as disposals. The remaining unsold element remains on the Statement of Financial Position as a fixed asset and is subject to an annual impairment review.

Under Right to Buy and Right to Acquire arrangements Severnside sells properties to qualifying tenants. Receipts from Right to Acquire sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipt less eligible expenses are held in a disposal proceeds fund, which is held in creditors (either current or long term dependent on when it is anticipated to be used).

l. Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. These are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost includes cost of asset purchase and other directly attributable costs.

Intangible assets are amortised on a straight line basis over the useful economic life of the assets as follows:

- Software Warranties & Licences 4 years (25.00% per annum)

m. Other Tangible Fixed Assets

Other tangible assets are depreciated on a straight-line basis over the useful economic life of the asset as follows:

- Office Structure 60 years
- Vehicles 4 years
- Furniture & Equipment 5 years
- Photocopiers 3 years
- IT Hardware 2 years

The threshold for capitalisation is £500 for a single asset or group of assets.

n. Impairment

Severnside carries out an annual impairment review of individual tangible fixed assets and cash generating units. The review takes into account internal and external indicators of impairment including obsolescence, physical damage, expected cashflows, replacement values, market factors and government policy. Severnside considers cash generating units to be schemes or geographical areas depending on size.

Where an indicator of impairment exists an impairment assessment is performed where the carrying amount is compared to the recoverable amount. If the carrying amount of an asset or cash generating unit exceeds the recoverable amount then the loss is charged to the Statement of Comprehensive Income as expenditure and as a separate line within operating expenditure where it is considered to be material.

o. Leased Assets

Severnside has no obligations under Finance Leases. Any assets held under finance leases are included in the Statement of Financial Position and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the Statement of Comprehensive Income over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

p. Debtors and Creditors

Debtors and creditors receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenditure.

q. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Group accounts for its financial instruments using sections 11 'Basic Financial Instruments' and 12 'Other Financial Instruments Issues' of FRS102.

Severnside's financial instruments are all currently classified as basic and include rent receivable, trade creditors, cash and loans.

Basic financial instruments are initially recognised at transaction price and in subsequent years at amortised cost. Financial assets are derecognised when the rights to the cash flows from the asset expire or are settled. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Any difference between the consideration paid or received and the amounts derecognised are recognised in the Statement of Comprehensive Income.

r. Cash and cash Equivalents

Cash and cash equivalents consists of cash at bank, cash in hand, deposits and short term investments with an original maturity of three months or less.

s. Taxation

Severnside is an exempt charity for corporation tax.

t. Provisions

The Group only provides for when:

- there is a present legal or constructive obligation, resulting from a past event, at the Statement of Financial Position date;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date.

Severnside sets a provision against rent arrears of current and former tenants based upon historic trends relating to write offs. All other receivables including trade receivables are provided for on a case by case basis.

u. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group does not recognise a contingent liability but discloses its existence in the financial statements.

v. Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. A description of the restricted reserve is included in Note 24. A prior year adjustment has been made to create the restricted reserve (see Note 27).

w. Key Estimates and Judgements

The preparation of the financial statements requires the use of certain accounting estimates and judgements concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i). Impairment of assets

The Group assesses whether there is any indicator of impairment. Where an indication of impairment exists then an estimate must be made of the recoverable amount of the cash generating unit (CGU). This can require estimation of future cash flows from the CGU or costs of constructing/replacing the CGU if it is not held solely for its cash flows but for its service potential. Estimations are also made in relation to the selection of appropriate discount rates in order to calculate the net present value of those cash flows or costs.

ii). Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, asset valuations and the discount rate on corporate bonds. Management relies on the estimates made by actuaries and the pension fund in these areas.

During the year ended 31 March 2017 the assumptions relied upon from the actuary were as follows are stated in Note 19 of the financial statements.

iii). Classification of Financial Instruments

The Group must make judgements over the classification of Financial Instruments as either basic or other. The implication of this is that if treated as 'other', the loan would have to be shown at fair value with any movements in fair value reflected in the Statement of Comprehensive Income. All of these adjustments are non-cash and would have no impact on the Group's loan covenants.

The Group's financial instruments are all currently classified as basic and measured at amortised cost. FRS102 does not specify how fixed rate debt with two-way break clauses specified in the loan agreement should be classified. The Group has £40m of fixed rate debt with Nationwide which has two way break clauses and has judged these to be basic.

The judgement that management has made is based upon section 11.9 (b) and 11.9 (c) of FRS102.

Section 11.9(b) states '*There is no contractual provision that could, by its terms, result in the holder (the lender) losing the principal amount or any interest attributable to the current or prior periods*'. Since breakage costs are paid in respect of future interest payments, 11.9 (b) would not be failed.

Section 11.9 (c) provides further grounding for this judgement which suggests that compensation on early termination should not be a breach.

iv). Merger Accounting

The Group have made a judgement that the creation of the new Group on 1st October should be accounted for using merger accounting as it meets the definition of a merger per FRS102:

- No party to the combination is portrayed as either acquirer or acquiree, either by its own board or management or by that of another party to the combination
- There is no significant change to the classes of beneficiaries of the combining entities or the purpose of the benefits provided as a result of the combination
- All parties to the combination, as represented by the members of the board, participate in establishing the management structure of the combined entity and in selecting the management personnel, and such decisions are made on the basis of a consensus between the parties to the combination rather than purely by exercise of voting rights

NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

	Note	Year Ended 31 March 2017			Year Ended 31 March 2016				
		Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings									
Income and expenditure from social housing lettings	3a	26,173	-	(11,924)	14,249	26,392	-	(14,111)	12,281
Other social housing activities									
1 st Tranche LCHO sales		1,228	(858)	-	370	518	(368)	-	150
Leaseholders		31	-	(24)	7	27	-	(20)	7
Tenant Garages		175	-	-	175	138	-	-	138
Charges for support services		-	-	(5,405)	(5,405)	-	-	(4,561)	(4,561)
External Activities		-	-	-	-	-	-	-	-
Other Activities		189	-	(68)	121	-	-	-	-
Office Impairment		-	-	-	-	-	-	-	-
Intra Group		-	-	-	-	-	-	-	-
		1,623	(858)	(5,497)	(4,732)	683	(368)	(4,581)	(4,266)
Activities other than social									
Shops		50	-	-	50	43	-	-	43
Private Garages		204	-	-	204	207	-	(1)	206
Market and commercial rent		884	-	(106)	778	754	-	(110)	644
Market Sales		1,063	(854)	(7)	202	2,878	(2,119)	(39)	720
		2,201	(854)	(113)	1,234	3,882	(2,119)	(150)	1,613
Total		29,997	(1,712)	(17,534)	10,751	30,957	(2,487)	(18,842)	9,628

NOTES TO THE FINANCIAL STATEMENTS

3a. Income and Expenditure from social housing activities

	Year Ended 31 March 2017				Year Ended 31 March 2016
	General Housing	Supported Housing	Low Cost Home Ownership	Care Housing	
	£'000	£'000	£'000	£'000	£'000
Rent Receivable net of identifiable service charges	22,040	2,702	134	-	24,876
Service Charges Income	141	1,012	16	-	1,433
Amortised government grants	119	-	9	-	110
Other Income	-	-	-	-	175
Turnover from Social Housing Lettings	22,300	3,714	159	-	26,173
Management	(1,650)	(196)	(58)	-	(2,656)
Service Charge Costs	(39)	(790)	(16)	-	(1,257)
Routine Maintenance	(2,760)	(538)	-	-	(3,302)
Planned Maintenance	(1,192)	(960)	-	-	(3,413)
Major Repairs Expenditure	-	-	-	-	-
Bad Debts	(52)	(11)	-	-	(110)
Depreciation of Housing Properties	(2,917)	(691)	(54)	-	(3,373)
Impairment of Housing Properties	-	-	-	-	-
Operating Expenditure on Social Housing Lettings	(8,610)	(3,186)	(128)	-	(14,111)
Operating Surplus on Social Housing Lettings	13,690	528	31	-	12,281
Void Losses	(159)	(44)	-	-	(214)

NOTES TO THE FINANCIAL STATEMENTS

3b. Classes of Accommodation in management and development

	Year Ended 31 March 2017	Year Ended 31 March 2016
	Units	Units
General Housing		
- Social Rent	4,413	4,409
- Affordable Rent	426	292
Supported Housing and Housing for Older People	576	585
Low Cost Home Ownership	102	79
Care Housing		
- Social Rent	-	-
- Affordable Rent	-	-
Total Social Housing Units	5,517	5,365
Market Rent	106	103
Other	1	1
Leasehold	187	187
Total	5,811	5,656
Accommodation managed on behalf of others	-	-
Total Managed	5,811	5,656
Accommodation in development at the year end	203	53

4. Gain/Loss on disposal of housing properties

	Year Ended 31 March 2017				Year Ended 31 March 2016
	LCHO	RTB	Other Properties	Total	
	£'000	£'000	£'000	£'000	£'000
Disposal Proceeds	-	1,127	113	1,240	1,526
Cost of Sales	-	(288)	(16)	(304)	(392)
Selling Costs	-	(5)	(2)	(7)	-
Grant Recycled	-	-	-	-	(745)
Net surplus on disposal of housing properties	-	834	95	929	389

NOTES TO THE FINANCIAL STATEMENTS

5. Interest receivable and other income

	Year Ended 31 March 2017	Year Ended 31 March 2016
	£'000	£'000
Interest received from temporary investments	39	12
Interest received from an Intra Group Loan: - Housing Plus	-	-
Interest receivable and other income	39	12

6. Interest payable and financing costs

	Year Ended 31 March 2017	Year Ended 31 March 2016
	£'000	£'000
Loan Interest	(6,756)	(6,222)
Loan Commission and valuation fees	(202)	(217)
Renegotiation fees	-	-
Capitalised Interest	303	-
Net interest expense (pensions)	(364)	(365)
Interest and financing costs	(7,019)	(6,804)

7. Surplus on Ordinary Activities before Taxation

	Note	Year Ended 31 March 2017	Year Ended 31 March 2016
		£'000	£'000
Depreciation:			
Housing Assets		3,662	3,373
Other Fixed Assets		266	259
Amortisation:			
Goodwill		-	117
Grant		128	110
(Surplus)/loss on Disposal Housing	4	(929)	(389)
(Surplus)/loss on Disposal Other Fixed Assets		-	8
Operating Lease Rentals		134	159
Revaluation (Gain)/Loss		832	(28)
External Auditors' Remuneration (incl. expenses, excl. VAT):			
Fees for the audit of the financial statements		13	36
Fees for other services		3	48

NOTES TO THE FINANCIAL STATEMENTS

8. Tax on surplus on ordinary activities

There is no corporate tax charge for the year 2016/17 (2015/16 nil).

9. Employees

The average number of persons employed during the financial year expressed as full-time equivalents (37hours) was:

	Year Ended 31 March 2017	Year Ended 31 March 2016
	Number	Number
Administration & Management	130	156
Property Services	62	65
Housing Support and Care	24	22
Total	216	242

Employees' costs:

	Note	Year Ended 31 March 2017	Year Ended 31 March 2016
		£'000	£'000
Wages and salaries		5,805	6,462
Social Security costs		586	544
Other pension costs	21	527	763
Total		6,918	7,769

10. Directors' Emoluments

The Directors of the Group are its Board Members. Board Members are not members of any Severnside pension scheme. Below there are the emoluments paid to the Board Members:

Summary of Board Members Payments	Year Ended 31 March 2017	Year Ended 31 March 2016
	£'000	£'000
Pay	22	48
Total	22	48

Following the merger the Board members of Severnside became part of a co-terminus Homes Board with South Staffordshire Housing Association. The Board members of the two landlords were paid from the Housing Plus Board from 1st November 2016.

NOTES TO THE FINANCIAL STATEMENTS

10. Directors' Emoluments (continued)

The aggregate amount of emoluments (including benefits in kind and pension contributions) paid to or receivable by the three (2015/16 four) Executive Officers of the Group and of the five (2015/16 seven) in the Parent during the year made up as follows:

	Note	Year Ended 31 March 2017	Year Ended 31 March 2016
		£'000	£'000
Emoluments (including benefits in kind)		390	412
Pension Contribution		19	84
Total		409	496

The previous Chief Executive resigned from Severnside Housing on 30th September 2016 and became Chief Executive of the Housing Plus Group; however, she continued to be remunerated from Severnside Housing until 31st March 2017. The emoluments paid to the Chief Executive, Mrs Sarah Boden (excluding benefits in kind and pension contributions) were £162k (2015/16 £139k). The Chief Executive was an ordinary member of the LGPS pension scheme until the 30th September 2016. The Chief Executive left the LGPS pension scheme on the 30th September 2016 and since then has taken the contributions as payment in line with the flexible pension policy.

Staff who received remuneration (including benefits in kind) in excess of £60k are summarised in the following bands:

	Year Ended 31 March 2017	Year Ended 31 March 2016
	£'000	£'000
More than £60,000 but not more than £70,000	2	4
More than £70,000 but not more than £80,000	2	3
More than £80,000 but not more than £90,000	1	1
More than £90,000 but not more than £100,000	-	-
More than £100,000 but not more than £110,000	-	-
More than £110,000 but not more than £120,000	-	-
More than £120,000 but not more than £130,000	-	2
More than £130,000 but not more than £140,000	-	1
More than £140,000 but not more than £150,000	1	-
More than £150,000 but not more than £160,000	-	-
More than £160,000 but not more than £170,000	-	-
More than £170,000 but not more than £180,000	-	1
More than £180,000 but not more than £190,000	1	-

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible Assets - Goodwill

	As at 31 March 2017	As at 31 March 2016
	Total £'000	Total £000
Cost		
At 1 April	350	350
Additions	-	-
Disposals	-	-
At 31 March	350	350
Accumulated Amortisation		
At 1 April	(350)	(233)
Charge for the year	-	(117)
At 31 March	(350)	(350)
Net book value		
At 31 March	-	-
At 1 April	-	117

NOTES TO THE FINANCIAL STATEMENTS

12. Housing Properties at Cost

	As at 31 March 2017			As at 31 March 2016		
	Houses for Letting Complete for Letting £'000	Under Construction £'000	Low Cost Home Ownership Complete for Letting £'000	Construction £'000	Under Construction £'000	Total £'000
COST						
At 1 April	147,981	7,243	3,832	104	159,160	152,497
Additions	14,166	4,608	1,893	206	20,873	16,273
Disposals	(721)		(623)		(1,344)	(3,198)
Transfers (note 12a)	5,075	(5,205)	(866)	(103)	(1,099)	(6,412)
At 31 March	166,501	6,646	4,236	207	177,590	159,160
LESS ACCUMULATED DEPRECIATION						
At 1 April	(26,219)	-	(176)	-	(26,395)	(23,443)
Depreciation charge for year	(3,461)	-		-	(3,461)	(3,228)
Eliminated in respect of Disposals	359	-	1	-	360	276
Impairment (losses)/reversals	-	-	-	-	-	-
At 31 March	(29,321)	-	(175)	-	(29,496)	(26,395)
Net book value						
At 31 March	137,180	6,646	4,061	207	148,094	132,765
At 1 April	121,762	7,243	3,656	104	132,765	129,054

Note: Included within Eliminated in respect of disposals is accelerated depreciation of £201k.

NOTES TO THE FINANCIAL STATEMENTS

12a Housing Properties at Cost

	As at					As at
	31 March 2017					31 March
	Houses for Letting Complete for Letting	Under Construction	Low Cost Home Ownership Complete for Letting	Under Construction	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Complete Properties	5,075	(5,075)			-	-
Stair-casing sale						-
Write-off to Income & Expenditure (Aborted Schemes)		(130)			(130)	-
Transfer to Current Assets			(866)	(103)	(969)	(1,654)
Transfer to Investment Properties						(4,758)
Transfers	5,075	(5,205)	(866)	(103)	(1,099)	(6,412)

Sevenside and SSHA hold all housing assets within the Group. The ultimate controlling party – Housing Plus is a non-housing assets holding company.

There is an annual desktop valuation of Sevenside properties performed for the properties charged to Canada Life and a triennial valuation for those held by Nationwide (last valuation 2014). The valuations use the Existing Use Value as Social Housing method (EUV.SH), which assumes a sale approved by the HCA to another Registered Social Landlord who will manage the property in accordance with the HCA and Sevenside tenancy guarantees.

The cash generating unit for the impairment review was taken at a scheme level as it was determined that this grouped assets with similar values and rents. The primary technique used to calculate the recoverable amount was EUV-SH. This methodology highlighted that new additions to stock since transfer had a higher carrying value than the EUV-SH valuation. However, these units were developed for social benefit and as such in line with SORP guidance the Group used Value in Use – Service Potential (VIU-SP) as a the basis for the recoverable amount. The calculation of VIU-SP was a depreciated replacement cost.

The review in 2016/17 identified no impairments for 2016/17. There are no accumulated brought forward impairments.

NOTES TO THE FINANCIAL STATEMENTS

12a Housing Properties at Cost (continued)

Charges against properties

	As at 31 March 2017	As at 31 March 2016
Number of Properties on which there is a fixed charge	4,721	4,481
Number of Properties not charged	796	884
Total Number of Properties	5,517	5,365

Social Housing Grant and Other Grants

The Association has received government grants in order to acquire and develop its housing properties. Grants are amortised through the Statement of Comprehensive Income over the useful economic life of the structure of the property. Any unamortised grant is held as deferred income. A breakdown of this grant is shown below:

	Year Ended 31 March 2017	Year Ended 31 March 2016
	£'000	£'000
Deferred Capital Grant at 1 April	13,404	12,061
Grants received during the year	706	1,399
Transfers from reserves	495	54
Released to income during the year	(128)	(110)
Deferred Capital Grant at 31 March	14,477	13,404

Housing properties book value, net of depreciation

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Freehold land and buildings	148,094	132,765
Long leasehold land and buildings	-	-
Total	148,094	132,765

NOTES TO THE FINANCIAL STATEMENTS

12b Other Tangible Fixed Assets

	As at 31 March 2017						As at 31 March 2016	
	Fixtures, Fittings, Tools & Equipment		Computer Equipment & Telephones		Vehicles	Land & Buildings	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000
COST								
At 1 April	788	2,360	42	2,834	6,024	6,054		
Additions	11	258	-	-	269	213		
Disposals	-	(4)	-	-	(4)	(243)		
At 31 March	799	2,614	42	2,834	6,289	6,024		
Accumulated Depreciation & Impairment								
Depreciation at 1 April	(643)	(2,041)	(31)	(328)	(3,043)	(3,019)		
Depreciation charge for year	(29)	(179)	(11)	(47)	(266)	(259)		
Eliminated in respect of disposals	-	4	-	-	4	235		
At 31 March	(672)	(2,216)	(42)	(375)	(3,305)	(3,043)		
Net book value								
At 31 March	127	398	-	2,459	2,984	2,981		
At 1 April	145	319	11	2,506	4,526	3,035		

There is no charge on any of these assets. All land held for other property, plant and equipment is owned freehold.

During 2016/17 a decision was taken to change the useful economic lives of certain other fixed assets to bring them in line with Housing Plus as these were deemed to be more reflective of actual useful lives. As it is a change in estimate the adjustment (£5,983) was put through in the current financial year..

NOTES TO THE FINANCIAL STATEMENTS

12c. Investment Properties

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Balance at 1 April	13,472	8,690
Additions	325	4,754
Transfers to Other Tenures	(12)	
Net Gain/(Loss) from Fair Value Adjustments	(832)	28
Balance at 31 March	12,953	13,472
Historical Net Book Value	13,750	13,437

12d. Stocks

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
LCHO Completed Properties	1,236	832
LCHO Properties Under Construction	207	104
Impairment	-	-
Total Low Cost Home Ownership	1,443	936
Open Market Sale Completed Properties	-	819
Total Property Stock	1,443	1,755
Other stock	4	-
Total Stock	1,447	1,755

Stock is held at the lower of actual cost and estimated selling price less costs to complete and sell. There have been no impairments in the year (2015/16 none).

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and Other Debtors

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Due within one year		
Rent Receivable	403	405
Service Charges Receivable	-	-
Leaseholders	-	-
Less: Provision for bad and doubtful debts	(71)	(195)
	332	210
Amounts due from Other Group Associations		
Housing Plus	-	-
Social Housing Grant Receivable	-	-
Other Debtors	466	458
Less: Provision for bad and doubtful debts	(56)	(167)
	410	291
Prepayments & Accrued Income	302	416
Total due within one year	1,044	917
Amounts due from Other Group Associations	-	-
Total due after more than one year	-	-
Total Debtors	1,044	917

NOTES TO THE FINANCIAL STATEMENTS

14. Creditors: Amounts falling due within one year

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Rents and service charges received in advance	(773)	-
Loans payable within one year	(292)	(56)
Loan Interest	(1,027)	(923)
Trade creditors	(89)	(2,187)
Fixed Asset accruals	-	-
Employees	(74)	(61)
Taxation and social security	(163)	(166)
Accruals and Deferred Income	(1,716)	(1,550)
Deferred Income - Grant	(149)	(110)
Other creditors	(44)	(60)
Intra Group Creditors	(161)	-
Total Creditors: Amounts falling due within one year	(4,488)	(5,113)

15. Creditors: Amounts falling due after more than one year

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Nationwide Syndications	88,500	88,500
Other Loans	9,458	2,145
Canada Life Loan	34,858	34,850
Deferred Income - Grants	14,328	13,293
Other Designated Funds	-	-
Total Creditors: Amounts falling due after one year	147,144	138,788

NOTES TO THE FINANCIAL STATEMENTS

15. Creditors: Amounts falling due after more than one year (continued)

Maturity of Debt

	Bank Loans 2017	Other Loans 2017	Finance Leases 2017	Total 2017
	£'000	£'000	£'000	£'000
In one year or less	-	292	-	292
In more than one year but not more than two years	-	300	-	300
In more than one year but not more than five years	5,775	950	-	6,725
	5,775	1,542	-	7,317

	Bank Loans 2016	Other Loans 2016	Finance Leases 2016	Total 2016
	£'000	£'000	£'000	£'000
In one year or less	-	56	-	56
In more than one year but not more than two years	-	57	-	57
In more than one year but not more than five years	18,500	190	-	18,690
	18,500	303	-	18,803

Security, terms of repayment and interest rates

The Nationwide Syndications loan is secured by the properties that Severnside owns. The loan repayments are scheduled to commence from 2020 until 2045. During the loan period decisions are made to fix the rate of interest for periods within the overall loan period. The fixed rates of interest for 2016/17 range between 4.29% and 6.72%.

The Canada Life loan is secured against properties that Severnside owns. It has a fixed interest rate of 4.54%.

The Shropshire Council loans are secured against properties that Severnside owns. The interest rates are fixed at 4.32% and 2.3%.

The weighted average interest rate for the year was 5.19%.

At 31 March 2017 Severnside had undrawn loan facilities of £16.5million.

NOTES TO THE FINANCIAL STATEMENTS

16. Financial Instruments

	Note	Year Ended 31 March 2017	Year Ended 31 March 2016
		£'000	£'000
Financial assets that are debt instruments measured at amortised cost			
Rent & Service Charge Receivable	13	403	405
Intra Group	13	-	-
Other Debtors	13	466	458
Investments		200	200
Cash and Cash Equivalents		3,974	7,215
		5,043	8,278
Financial liabilities measured at amortised cost			
Loans	15	(133,108)	(125,439)
Trade creditors	14	(89)	(2,187)
Accruals	14	(1,771)	(1,550)
Other creditors	14	(1,468)	(1,210)
		(136,436)	(130,386)

Severnside's financial instruments are all currently classified as basic and measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

17. Capital Commitments

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Expenditure contracted but not provided in the financial statements	9,760	8,656
Expenditure authorised by the Board but not contracted	17,350	18,333
Total Capital commitments	27,110	26,989

The expenditure authorised by the Board but not contracted relates to the current bid to Homes and Communities Agency (HCA). The following amounts describe the way Severnside funds the development:

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Association		
Net Expenditure	6,255	7,586
SHG	213	395
Other Grant Funding	948	981
Forecast sales	19,694	18,027
Total Gross Expenditure	27,110	26,989

18. Leases

Operating Leases

The Association held vehicles and lone working safety devices on cancellable operating leases. At 31 March 2017 the total of future minimum lease payments under non cancellable operating leases for each of the following periods:

	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Leases for equipment:		
Not later than one year	18	-
Later than one year and not later than five years	18	3
Later than five years	12	17
Leases for vehicles:		
Not later than one year	116	-
Later than one year and not later than five years	116	116
Later than five years	116	-
Total	396	136

The expenditure charged in the Statement of Comprehensive Income during the year in relation to minimum lease payments was £134k.

NOTES TO THE FINANCIAL STATEMENTS

19. Pension

b) Shropshire County Council Scheme

Sevenside participates in the Local Government Pension Scheme which is a multi employer defined benefit Scheme, is funded and is contracted out of the state scheme.

The disclosures necessary in respect of FRS102 are shown in various tables below. The actuary has estimated that the net pension asset/liability as at 31 March 2017 is a liability of £13,067,000 (2015/16 £10,579,000).

Assumptions as at	31 Mar 2017 %p.a.	31 Mar 2016 %p.a.	31 Mar 2015 %p.a.
Salary increases	3.8%	3.5%	3.5%
Pension increases	2.3%	2.0%	2.0%
Discount Rate	2.5%	3.6%	3.3%

The life expectancy is based on the Fund's VitaCurves and based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	23 years	26.2 years
Future Pensioners*	25.2 years	28.5 years

* Figures assume members aged 45 as at the last formal valuation date.

Categories of plan assets as a % of total plan assets	Assets at 31 Mar 2017 %	Assets at 31 Mar 2016 %	Assets at 31 Mar 2015 %
Equities	55	51	52
Bonds	21	26	26
Property	5	5	4
Alternatives	18	16	15
Cash	2	2	3

NOTES TO THE FINANCIAL STATEMENTS

19. Pension (continued)

Net Pension Liability as at	31 Mar 2017	31 Mar 2016	31 Mar 2015
	£'000	£'000	£'000
Fair value of Employer Assets	36,774	30,064	29,856
Present Value of Funded Obligations	(49,551)	(40,404)	(41,242)
Net (Under) in Funded Plans	(12,777)	(10,340)	(11,386)
Present Value of Unfunded Liabilities	(290)	(239)	(252)
Net Pension (Liability)	(13,067)	(10,579)	(11,638)

	Year to 31 Mar 2017	Year to 31 Mar 2016
Amount Charged to Operating Surplus	£'000	£'000
Current Service Cost	(780)	(928)
Administration Expense	(20)	(18)
Total Operating Charge	(800)	(946)
Amount Charged to Financing Costs		
Interest income on plan assets	1,080	990
Interest cost on defined benefit obligation	(1,444)	(1,355)
Losses on curtailments and settlements	(-)	(-)
Total net interest	(364)	(365)
Total defined benefit cost recognised in Surplus/(Deficit) for the year	(1,164)	(1,311)

Re-measurements recognised in Other Comprehensive Income	Year to 31 Mar 2017	Year to 31 Mar 2016
	£'000	£'000
Change in Financial Assumptions	(9,776)	2,465
Change in Demographic Assumptions	736	-
Other Experience	1,069	-
Return on Assets (excluding amounts included in net interest)	5,769	(1,062)
Total re-measurements recognised in Other Comprehensive Income	(2,202)	1,403

NOTES TO THE FINANCIAL STATEMENTS

19. Pension (continued)

Reconciliation of Defined Benefit Obligation	Year to 31 Mar 2017	Year to 31 Mar 2016
	£'000	£'000
Opening Defined Benefit Obligation	40,643	41,494
Current Service Cost	780	928
Interest Cost	1,444	1,355
Contributions from Members	229	251
Actuarial Losses/(Gains)	7,971	(2,465)
Past Service Costs / (Gains)	-	-
Result on Curtailments	-	118
Liabilities extinguished on Settlement	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(1,226)	(1,038)
Closing Defined Benefit Obligation	49,841	40,643

Reconciliation of Fair Value of Employer Assets	Year to 31 Mar 2017	Year to 31 Mar 2016
	£'000	£'000
Opening Fair Value of Employer Assets	30,064	29,856
Expected return on Assets	5,769	(1,062)
Interest Income on Plan Assets	1,080	990
Contributions from Members	229	251
Contributions from Employer	878	1,085
Contributions in respect of Unfunded Benefits	-	-
Assets distributed on Settlement	-	-
Administration Expenses	(20)	(18)
Benefits Paid	(1,226)	(1,038)
Closing Fair Value of Employer Assets	36,774	30,064

NOTES TO THE FINANCIAL STATEMENTS

19. Pension (continued)

History of Gains and Losses	Year to 31/03/17	Year to 31/03/16	Year to 31/03/15	Year to 31/03/14	Year to 31/03/13
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	36,774	30,064	29,856	26,191	24,229
Present Value of Defined benefit Obligations	(49,841)	(40,643)	(41,494)	(33,476)	(35,766)
Deficit	(13,067)	(10,579)	(11,638)	(7,285)	(11,537)

Pension Bond

Sevenside has entered into a Pension Guarantee Bond Agreement with Shropshire County Pension Fund and Nationwide Building Society, whereby Shropshire County Pension Fund may, if Sevenside Housing fails to make appropriate pension scheme payments, seek recovery from Nationwide Building Society. The pension bond, not to exceed £5,240k, (2016: £5,240k) is based on actuarial assessments of the scheme's liability.

20. Pension Liability

The Association had the following liabilities during the year:

	Long term employee benefits - LGPS
	£'000
At 1 April 2016	10,579
Additions/(Reductions) dealt within surplus/deficit	800
Additions/(Reductions) dealt within other comprehensive income	2,202
Employer Contributions	(878)
Interest costs	364
Unused amounts reversed to statement of comprehensive income	
At 31 March 2017	13,067

Pension Liability – LGPS

The LGPS pension scheme is a multi employer defined benefit scheme. Each year the actuary values the assets and liabilities of the scheme using a set of assumptions. Changes in assumptions and performance of the assets/liabilities in the year means that the present value of the defined benefit obligation is subject to uncertainty. The weighted average duration of the expected future discounted cash flows is 18 years.

NOTES TO THE FINANCIAL STATEMENTS

21. Reconciliation of surplus to net cash flow from operating activities

	Year Ended 31 March 2017	Year Ended 31 March 2016
	£'000	£'000
Surplus for the year	3,868	3,245
Adjustments for non cash items:		
Depreciation and Impairment	3,927	3,632
Amortisation	(0)	117
Decrease/(increase) in stock	(4)	50
Decrease/(increase) in trade and other debtors	(214)	(184)
Increase/(decrease) in trade and other creditors	(974)	197
Market Sale/LCHO non cash value	1,281	2,524
Pension costs less contributions payable	(78)	157
Valuation movement	835	(28)
Non cash amount of tangible fixed asset disposals		755
	4,773	7,220
Adjustments for investing or financing activities		
Proceeds from the sale of tangible fixed assets	(929)	(1,526)
Government grants realised in the year	(123)	(110)
Interest payable	7,019	6,804
Interest receivable	(39)	(12)
	5,928	5,156
Net cash flow generated from operating activities	14,569	15,621

22. Reconciliation of net cash flow to movement in net debt

	Year Ended 31 March 2017	Year Ended 31 March 2016
	£'000	£'000
Increase in cash and cash equivalents in the financial year	(3,241)	2,800
Cash inflow from increase in debt	(7,549)	(6,953)
Cash inflow/outflow from increase/(decrease) in short term investments		-
Total changes in net debt for the year	(10,790)	(4,153)
Net debt at 1 April	(118,336)	(114,183)
Net debt at 31 March	(129,126)	(118,336)

NOTES TO THE FINANCIAL STATEMENTS

23. Analysis of changes in net debt during year

	Year Ended 31 March 2017	Cash Flow	Year Ended 31 March 2016
	£'000	£'000	£'000
Cash at bank and in hand	3,974	(3,241)	7,215
Short Term Deposits	-	-	-
	<u>3,974</u>	<u>(3,241)</u>	<u>7,215</u>
Housing Loans due < one year	(292)	(236)	(56)
Housing Loans due after one year	(132,808)	(7,313)	(125,495)
Total changes in net debt	(129,126)	(10,790)	(118,336)

24. Restricted Reserves

Restricted reserves constitute surpluses accruing from sales of LSVT units under the Right to Buy. The receipts are to be used solely for the provision of new housing, subject to approval by the relevant local authority.

25. Related Party Transactions

There are no Board members that are also Tenants (2015/16 nil).

The Board has no (2015/16 nil) members who are also councillors. The total compensation for the Board of Severnside in 2016/17 was £22,489 (2015/16 £47,500).

During the financial year 2016/17 Severnside purchased services in the ordinary course of business from Housing Plus, an ultimate Parent, at a total cost of £263,821 (2015/16 nil). At the year end Severnside owed £6,045 (2015/16 nil) and was owed £93,552 (2015/16 nil) by Housing Plus.

Severnside also purchased services in the ordinary course of business from South Staffordshire Housing Association, at a cost of £11,292 (2015/16 nil). All of this balance was outstanding at the year end (2015/16 nil).

Severnside also provided services in the ordinary course of business to Property Plus (Midlands) Limited at a cost of £47,175 (2015/16 £17,081), and purchase services in the ordinary course of business at a cost of £1,136,541 (2015/16 £1,420,495). At the year end Severnside owed £143,430 (2015/16 £129,292) and was owed £43,420 (2015/16 £13,359) by Property Plus.

There were no transactions between SSHA Developments Limited, Severn Homes, AWE and Severnside (2015/16 nil).

All related part transactions within the group are provided on an arms length basis.

Amounts owned by and to the Association are disclosed in notes 13, 14 and 15. These amounts are related to intragroup balances both in payables and receivables.

NOTES TO THE FINANCIAL STATEMENTS

26. Group Companies

The ultimate parent undertaking and controlling party is the Housing Plus Group Limited, a registered social landlord (Registered Community Benefit Society No. 30224R). The consolidated financial statements of the Housing Plus Group Limited are available from the Company Secretary, Housing Plus Group Limited, Acton Court, Acton Gate, Stafford, ST18 9AP. The Group exercises control over Severnside and other subsidiaries through regular Board meetings. The Group Board members include the Chair of each of the subsidiary Boards.

NOTES TO THE FINANCIAL STATEMENTS

27. Prior Year Adjustment

Following the merger of the company with Housing Plus on 1st October a full review of accounting policies and disclosures was undertaken to ensure the group was applying a common approach. This identified a small number of adjustments which have been treated as a prior period adjustment in the company's accounts as follows:

Statement of Comprehensive Income Adjustments

	Note	Year Ended 31 March 2016		
		As Previously Stated	Adjustments	Restated
		£'000	£'000	£'000
Turnover		30,957	-	30,957
Cost of Sales		(2,487)	-	(2,487)
Operating Costs	A	(18,863)	21	(18,842)
Operating Surplus/(Deficit)		9,607	21	9,628
Gain on Disposal of Housing properties		389	-	389
Loss on Disposal of Other Tangible Fixed Assets		(8)	-	(8)
Interest Receivable		12	-	12
Interest and Financing Costs	B	(6,805)	1	(6,804)
Increase in Valuation of Investment Property		28	-	28
Surplus/(Deficit) Before Tax		3,223	22	3,245
Taxation		-	-	-
Surplus/(Deficit) for the Year		3,223	22	3,245
Actuarial Gain/(Loss) in respect of Pension Schemes	A	1,216	187	1,403
Total Comprehensive Income for the Year		4,439	209	4,648

27. Prior Year Adjustment (continued)

Note A

The adjustment relates to the treatment of the LGPS pension liability. The restated numbers show the actuarial gain reflecting that of the actuarial report whereas previously it was the difference in value of the provision at year end from the previous year. The slight adjustment to operating expenditure relates to pension administration cost which were previously included within other comprehensive income.

Note B

Change in financing cost relating to reclassification of loans from 'other' (previously held at fair value) to 'basic'.

Statement of Financial Position Adjustments

	Note	As at 31 March 2016		
		As Previously Stated	Adjustments	FRS102 Restated
		£'000	£'000	£'000
Long Term Assets				
Intangible Assets		-	-	-
Tangible Fixed Assets				
Housing Properties		132,765	-	132,765
Other Fixed Assets		2,981	-	2,981
Investment properties		13,472	-	13,472
		149,218	-	149,218
Current Assets				
Stocks		1,755	-	1,755
Trade and Other Debtors		917	-	917
Investments in Subsidiaries		200	-	200
Cash and Cash Equivalents		7,215	-	7,215
Less: Creditors: Amounts falling due within one year	C	(6,219)	1,106	(5,113)
Net Current Assets/ (Liabilities)		3,868	1,106	4,974
Total Assets less Current Liabilities		153,086	1,106	154,192
Creditors: Amounts falling due after more than one year	D	(138,791)	4	(138,787)
Pension Liability	-	(10,579)	-	(10,579)
Total Net Assets		3,716	1,110	4,826
Reserves				
Income and Expenditure Reserve	E	14,295	(10,810)	3,485
Pension Reserve	E	(10,579)	10,579	-
Restricted Reserve	C	-	1,341	1,341
Total Reserves		3,716	1,110	4,826

NOTES TO THE FINANCIAL STATEMENTS

27. Prior Year Adjustment (continued)

Note C

Adjustment relates to reclassification of creditor to restricted reserve (see Note 24).

Note D

Adjustment to reverse previous fair value adjustments as loan reclassified from 'other' to a 'basic' financial instrument in line with accounting guidance.

Note E

Pension reserve amalgamated into Income and Expenditure Reserve in line with the SORP.
Adjustment to reflect the reclassification of an element of the income and expenditure reserve to the restricted reserve as per Note C.